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State of Utah

DEPARTMENT OF NATURAL RESOURCES

Division of Oil, Gas & Mining

MICHAEL R. STYLER
Executive Director

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Division Director

LEXCO Bond Agreement

Agreement between the Utah Division of Oil, Gas and Mining (OGM)
and the
Utah State Office of the Bureau of Land Management (BLM)
Bonding Instrument
for the
Lexco, Cottonwood Mine, OGM Permit M/047/064
BLM Federal Lease UTU 72699

Lexco, Inc. has submitted to the BLM five-year U.S. Treasury Notes as reclamation surety and BLM royalty surety. BLM has accepted the reclamation surety as part of the requirements of the Federal Regulations at 43 CFR 3590.. This agreement is being implemented to also fulfill the requirement for reclamation bonding under the Utah Mine Reclamation Act (UCA 40-8-14 (4) and (6)(c) 2006. Both agencies agree the reclamation surety in the amount of \$55,337.00 is sufficient to reclaim the land affected by mining operations under the approved BLM mine plan dated May 30, 2006.

SURETY FORM: U.S. Treasury Notes, Five Year
DOLLAR AMOUNT: \$130,000.00
FORMS COMPLETED: BLM form 3504-1
BLM BOND ACCEPTED DATE: JUNE 26, 2006

OGM and BLM Agree:

- BLM and OGM will consider this agreement as if they were co-beneficiaries on the bond held by the BLM, and if surety forfeiture is deemed necessary by the State of Utah, OGM will send BLM a certified copy of the hearing and request that the necessary action take place in accordance with UCA 40-8-14 (6)(c).
- The BLM is administering the reclamation surety of \$55,337.00 and also has \$74,663.00 that is not reclamation surety and is intended for BLM, for which the terms of this agreement do not apply. BLM may require additional surety for any activities or performance not regulated by OGM.
- The reclamation surety will continue to be administered by the BLM. Any adjustments to the reclamation surety will be administered by the BLM. OGM may request an adjustment in the surety. BLM will adjust the surety if approved by the BLM. At any time the operator may replace the reclamation surety and have either agency administer the reclamation surety. The form and amount of surety used as replacement must be approved by both OGM and BLM.
- The BLM will not release the reclamation surety until the BLM has received written consent of OGM in accordance with the procedures and requirements of the Utah Mined Land Reclamation Act and associated rules, as amended. An OGM inspection report will be provided to the BLM and the OGM Director will provide written consent for release of the reclamation surety.